THE REPORT OF THE ROYAL COMMISSION ON THE BRITISH INCOME TAX

SUMMARY

What is income ? Money and real, gross and net, income and capital, 608. — The married couple a unit ? 611. — Exemption limit, 612. — Earned and unearned income, 614. — Bachelors, married couples, children, 616. — Graduation; the new scheme, 619. — Collection at the source; undistributed company profits, 623.

As a preliminary it is desirable to make clear what the business of the Royal Commission on the income tax was. It was not appointed to survey the whole tax system of the country. It had not to weigh income tax against death duties or tea duty. It had not to examine the comparative advantages of a high income tax as against a capital levy or a special levy on war wealth. Its function was a much more limited one. Taking the income tax as it is and assuming that the amount of money raised by it at present will have to be maintained, how can the various anomalies and unfairnesses and complications of the tax, which have necessarily grown up with its growth, be best cured or palliated, so as to make this tremendous engine of revenue — probably the most powerful that the world has ever known — more equitable and less burdensome, but not less effective, than before.

The question which presents itself first in logical sequence is: what exactly should be included in the object " income," on which income tax is assessed. To the uninitiated this may seem a perfectly simple question. In reality it is an extraordinarily difficult one, and

one which, in a number of different connections, has given rise to perplexing problems.

First, there is a difficulty arising out of the relation between money income and real income. There is no substantial difference between the real income of service which is provided when a wife cooks for her husband and when his housekeeper cooks for him; but the housekeeper's cooking is associated with a money income, namely the payment the housekeeper receives, while the wife's cooking is not. Again, if a man owns a house and lets it, he receives a money income, with which, if he likes, he can hire similar house accommodation for himself elsewhere; but, if he lives in his own house, he gets no money income from it. Yet again, one official is paid a small salary and is allowed board and lodging by his employer, another exactly similar official is paid a large salary and no board or lodging. There is no difference between the real incomes of the two men. Plainly the fundamental thing is real income. When money income does not correspond to this, it is real income, and not money income, on which the amount of a man's income tax ought to be made to depend. In theory this is obvious. But in practice it can only be very partially achieved, because real income not represented in money is often extremely difficult to evaluate. When a man occupies his own house, English income tax law assumes that he enjoys from it a real income represented by the money income he could get by letting it, and taxes him accordingly. But it does not do this with his furniture or his yacht or his motor car. Broadly we may say it is compelled by practical considerations to base itself not upon real income but upon money income, departing from this rule only in the special case of houses and lands. The Royal Commission, in the main, accept this ruling; but they suggest

that an attempt might be made, when a part of the regular remuneration of an employment is received in kind, to bring this remuneration within the scope of the tax.

Secondly, there is the distinction between gross income and net income. It is plain that the proper object of an income tax is net income, and that, when charges are incurred in the process of obtaining income, these should be allowed for before assessment is made. Thus, the cost of tools and special clothes are allowed as expenses. But it is not clear how far this kind of allowance should be extended. In a sense a man's expenditure on food and ordinary clothing constitutes a part of the expenses of earning an income; for, if he did not eat and clothe himself, he certainly would not earn anything. But it has generally been agreed, and the Commission propose no change, that the only expenses allowed should be those incurred in immediate and special connection with the work from which income is derived.

Closely allied to the distinction between gross income and net income is the more difficult distinction between income and capital. Income tax is a tax on income, in which no account is supposed to be taken either of accretions to, or of losses from, capital. The line is very difficult to draw. When machinery is used up in two or three years in producing the income of those years, is the wearing out of the machinery a capital loss or is it an offset to gross income, to be allowed for before net income is calculated ? If depreciation of machinery is allowed for, what of depreciation of buildings: of obsolescence; of mine-shafts; of wasting assets generally ? Under this head very difficult questions have to be decided. The Royal Commission recommend that the practice of allowing for capital wastage when it is

the necessary concomitant of income production shall be carried somewhat further than it is at present; but they do not advise that the full claims put forward in respect of various sorts of wasting assets should be conceded.

There remain some difficult questions connected with receipts accruing, not regularly, but more or less casually — are these income and so properly amenable to income tax or are they capital? — and other questions, about which there has been much dispute, concerning the income of persons grouped together in coöperative societies and insurance companies. I do not propose to discuss these matters now. The recommendations which the Commissioners make in connection with them, tho important, are not fundamental to the general scheme of their report. Broadly speaking, they have left the scope of the income tax and the general conception of income for income tax purposes substantially where they found it. I pass on, therefore, to matters of more general interest.

The British income tax, apart from its treatment of local authorities, is in intention and in effect a tax upon the income of natural persons. So far as it strikes companies, it strikes them as agents for the natural persons of whom they are formed; and, apart from undistributed profits, of which I shall say something presently, these persons are entitled to claim a return from the revenue authorities if the rate of tax levied on their money in the hands of a company has exceeded the rate to which they are themselves properly liable. This being so, it is evidently necessary, before anything further can be done, to decide what, among natural persons, is the proper unit of assessment. In the income tax hitherto that unit has been, for unmarried persons the individual, for married persons, the married

couple. There has been for a long time a confused complaint going on about this. Partly it has turned on points of sentiment. Certain militant ladies have complained that it is intolerable that their husbands should fill in their income tax forms for them, apparently ignorant of the fact that the existing law allows them, by a perfectly simple process, to secure this very troublesome privilege for themselves. But there is also a complaint of substance. Since the rate of tax is higher on a £1,000 income than on a £500 income, the practice of assessing the joint income of a married couple means that, if two people, each with £500 *per annum*, marry, the amount of taxation taken from them after marriage is greater than it was before; and this is called a penalty on marriage. It is even called deliberate encouragement by the State of illicit unions outside the marriage bond. On the other side there are three facts. First, under the existing social system for the great bulk of the population the incomes of husband and wife do constitute a common purse for the ordinary purposes of life. Secondly, the cost of living to two married persons living together is less than the sum of the costs to a man and woman living separately; so that, all other things being equal, a married couple has a greater ability to pay taxation than the two members of it had jointly before they were married. Finally, there is this fact. A married couple made up of a husband with £1,000 a year and a wife with nothing obviously has the same taxable capacity as one made up of a husband and wife each with £500 a year. Under the existing system of joint assessment they are in fact taxed equally. Under the rival system of separate assessment, since income tax is charged at a higher effective rate on larger than on smaller incomes, the aggregate taxation for a married couple with £1,000 a

year would vary widely according to the way in which that £1,000 a year is contributed by the two spouses. It would be largest when one spouse contributed the whole and would become smaller and smaller the more nearly the two contributions approached to equality. This is plainly unreasonable. Moreover, it would be very difficult to prevent transfers of income between husband and wife so arranged as to reduce their joint burden of taxation to a minimum; and this would mean an enormous loss of revenue. The Royal Commission decided with practical unanimity that the existing system ought in substance to be maintained. This does not, of course, mean that equal incomes belonging to a bachelor, a childless married couple and a married couple with three children will all have to bear exactly the same taxation. All that it means, as will become apparent shortly, is that for married persons the *basis* of assessment shall be the amount of their joint income, so that its tax burden is the same however it is divided between husband and wife.

The next issue is the exemption limit. It has always been recognized that people with incomes below a certain minimum cannot properly be called upon to pay income tax. Before the war the limit was £160. During the war it was reduced to £130; but the effect of this reduction was largely offset, for persons other than bachelors or spinsters, by the operation of (new) wife's allowance and children's allowances. The evidence given before the Commission made it clear that the effect of these allowances upon the actual, as contrasted with the nominal, exemption limit, has not been properly understood. The Commission, therefore, attached some importance to a change of nomenclature. Instead of speaking of a single exemption limit of so much, associated with various allowances, they pro-

posed that it should be laid down in clear terms: the exemption limit for a single person is so much: for a married couple without children so much; for a married couple with one child so much; for a married couple with two children so much; and so on. They held that, if this were done, many misunderstandings would be wiped out, and many discontents felt with the income tax system, which exist purely in consequence of these misunderstandings, would be removed. There remained the point of substance: at what figures should the exemption limit for the various categories of persons whom I have distinguished be fixed? Plainly this is not an issue which can be settled by any kind of rigid demonstration. Account must be taken, so far as is practicable, of the incidence of indirect taxes upon persons with small incomes; of the large changes which have recently taken place in the purchasing power of money; of the immense change that has taken place in the amount of revenue that the State needs to raise; of how far the country can afford, economically and politically, to leave large sections of the population outside the scope of direct taxation; and so on. These are the sort of considerations upon which, by a rough process of guesswork and of judgment, any decision must be built. The conclusion of the Commission is that, in present conditions, the following limits of exemption for persons with wholly earned incomes are appropriate:

for a single person, £150;
for a married childless couple, £250;
for a married couple with one child, £290;
for a married couple with two children, £320;
for a married couple with three children, £350,

and for each additional child a further addition of £30. When income is partly unearned, the corresponding

exemption limits should be somewhat lower, a £ of unearned income being counted, in effect, as equal to $\frac{10}{9}$ of a £ of earned income.

This leads naturally to my next point. Since 1907 a distinction has been drawn in the British income tax law between earned income and unearned income. The latter, which the Royal Commissioners suggest might be better named investment income, consists roughly of all incomes derived from property, and the former of all incomes derived from personal exertions, including the whole of the income which the owner of a business under his own management receives from that business. Since 1907, except when a man's aggregate income exceeds £2,500, unearned income has been taxed at a somewhat higher rate than earned income. Some people have taken the view that this distinction ought no longer to be retained. They point out that it leads, among other things, to the anomaly that, if a private person turns his business into a joint stock company, while still in effect remaining the sole owner of it, a large part of his income, which has hitherto been "earned," will now become "unearned," and will be taxed at a higher rate. They urge further that, if any distinction is made, it is illogical to rest content with one so rough as to treat in the same way income from a man's own savings and income from inherited property. Moreover, they add, discrimination against the fruit of investment is bound to prove prejudicial to saving. There is, of course, considerable force in these objections. But on the other side there is the broad fact that, ordinarily speaking, a man whose income depends on his own life and exertions must necessarily save more against the future, and, therefore, has less taxable capacity, than a man with an equal income derived from investments. The Royal Commissioners

were of opinion that this consideration is decisive. They held that differentiation between earned and unearned income should continue; but, in view of the recent increase in death duties, which are in effect a kind of deferred tax on unearned incomes, and of the increases proposed by themselves in family allowances, they decided that the amount of differentiation might properly be reduced in a small degree.

Having come to this decision, they had next to determine by what method the required differentiation could best be secured. Hitherto this has been done by making each of the several rates that are applied to different ranges of income below £2,500, 9*d.* less for earned than for unearned income. This arrangement has involved a very serious anomaly. Suppose a single man with an income of £240. Under the existing law that man is entitled to an abatement of £120. But, when part of an income is earned, the abatement must be made from the whole of the earned income before it is made from any of the unearned income. Thus, a man with £240 of unearned income is taxed to exactly the same extent as a man with £240 of income, half of which is unearned and half earned. Nor could the difficulty be got over by allowing the abatement to be made from unearned income in the first instance: for, if this were done, a man with £240 of wholly earned income would be taxed the same as one with £240 of the two sorts mixed in equal proportions. This means, in effect, that the privilege of a special rate for earned income is not extended to those owners of small amounts of earned income who may reasonably be supposed to need it most. This paradox — which has, of course, a much wider range when account is taken of married couples with families as well as of single persons — would be obviated if abatements were drawn from the earned and the unearned parts of

mixed incomes in proportion to the amounts of these parts. But this, implying, as it does, a knowledge of the exact amount of both sorts of income before assessment is made, would involve great practical difficulties of a kind to which attention will be drawn in another connection shortly. The way out which the Royal Commission suggest is that, up to £2,000 each £ of earned income shall be treated as the equivalent of $\frac{9}{10}$ of a £ of unearned income, and that all assessments shall be made upon this basis.

Adjustment of tax to the different natures of two incomes of equal amount is not the only, or the most important, adjustment that fairness requires. An income that has to support a husband and wife, still more an income that has to support a husband and wife and three children, has not the same taxable capacity as an equal income belonging to a bachelor. This fact is recognized in the existing law by the provision, for small and moderate incomes, of abatements in the shape of wife's allowance and children's allowances. These allowances are justified by the same considerations that justify the establishment of higher exemption limits for family men and childless married couples than for bachelors or spinsters. But, with the exemption limit, as with the allowances, to determine the exact figure that is appropriate is a very difficult matter. From one point of view it may be argued that, the poorer the man is, the more help he needs, and, therefore, the bigger the allowance he should get for wife and children. On the other hand, it may be answered that a rich man's wife and family in fact cost him more to maintain than a poor man's; and that, if the difference in taxable capacity between a bachelor and a man with three children when the income is £500 is equivalent to, say, £200 of income, the difference at an income level

of £2,000 must be very much more than this. It has even been urged in some quarters that the income of a man with a wife and three children, whatever its amount, should be taxed as tho it were five incomes each of one-fifth its size. On this plan, with the existing scale, a married couple with three children would pay no income tax at all up to an income of £650 and would pay no supertax up to an income of £12,500. The Royal Commission have taken the view that the difference in the amount of income tax levied on single persons, married couples, and married couples with children should be decidedly greater than it is at present and should not be confined as at present to the lower ranges of income. They recommend that, for purposes of income tax, as distinguished from supertax, an abatement should be made from all incomes before taxation is imposed upon them, equal to the amount of the exemption limit which has been fixed for each several category of persons. Thus, in terms of earned incomes, for bachelors and spinsters there would be an abatement of £150; for married childless couples £250; for married couples with three children £350; and so on.

In these last sentences I have partly anticipated my next point. Under the existing law no differentiation is allowed in respect of any part of incomes that exceed £2,500, and no family allowances are given to incomes above £1,000. This arrangement is not easily defended. It is not a question of giving rich people privileges as compared with poor people, but of adjusting the burden fairly within each income class between people whose situations are different. A man with £3,000 whose income is wholly earned has not the same taxable capacity as his neighbor with an equal income all derived from the funds; still less has the £3,000 man with a large family the same taxable capacity as the £3,000

bachelor. The Royal Commission recognize these facts. But they also recognize another fact, namely that, tho in all income classes the man with earned income and the family man have less taxable capacity than the man with investment income and the bachelor, yet, as incomes get bigger, the proportionate taxable capacities of the different classes come closer together. Thus, if at the £500 level a man in family situation A has half the taxable capacity of a man in family situation B, at the £50,000 level he will have much more than half the taxable capacity. A millionaire with three children might reasonably be called upon to pay very nearly 100 per cent of what the millionaire bachelor pays. The Royal Commission have endeavored to adjust their recommendations to these considerations by providing, first, that relief for "earnedness" of income shall only apply to the first £2,000 of any earned income, but that this relief for the first £2,000 shall be accorded to all incomes, whatever their size; and, secondly, that the abatement for "marriedness" and "familyness" shall be extended to all incomes of whatever size. With the figures which the Commission recommend, this means that a bachelor with £2,000 earned income will pay £60 less tax than a bachelor with £2,000 unearned income, and that a bachelor with £20,000 earned income will also pay £60 less tax than a bachelor with £20,000 unearned income. This £60 is between $\frac{1}{8}$ and $\frac{1}{9}$ of the unearned £2,000 man's tax, but it is only a little over $\frac{1}{100}$ part of the £20,000 man's tax. In like manner, the Commission's recommendation about family allowances means that, at the £600 level a man (with only earned income) who has a wife and three children pays £54 less than a bachelor; and that the £20,000 family man also pays £54 less than the bachelor. At the £600 level the relief for the family man is thus about 60 per

cent of the bachelor's tax; but at £20,000 it is less than $\frac{1}{100}$ part of that tax.

I now pass to the difficult subject of graduation. The general principle that large incomes should contribute to income tax in larger proportion than small incomes is not now disputed by anyone. Nor did the Commission feel it necessary to revise in any fundamental way the general relations between the amounts of burden borne by different income classes under the existing law. But the existing law contains very grave defects of detail. Graduation is effected by means of a combination of abatements, the amounts of which differ for different incomes, of six different rates of tax applicable to six income zones under £2,500 and of supertax at progressive rates on larger incomes. Under supertax for the larger incomes there is a charge of 1/ in the £ on the first £500 above £2,000, 1/6 on the second £500, 2/ on the second £1,000 and so on. This system evidently provides a smooth and continuous progression. But for incomes below the supertax level progression is made by jumps. For example, an unearned income of £1,500 is charged at the rate of 4/6 in the £: but an unearned income of £1,501 and upwards at 5/3 in the £; the corresponding earned incomes being charged 9*d.* in the £ less. Unless special provision were made to obviate it, the result would be that a man who increased an income of £1,500 by £1 would have to pay £55, 10*s.* 3*d.* more taxation! The remedy provided for this under the present law is to allow a person in this position to hand over to the State the whole of any excess income he may have above £1,500 and then to pay on £1,500 at the £1,500 rate. This arrangement saves a man whose income is increased by a small amount above £1,500 from being actually worse off than before. But it means that any addition made to

his income, until this reaches £1576, 5*s.* 6*d.*, leaves him no better off than he was before. In short, it means that, for incomes between £1,500 and £1576, 5*s.* 6*d.*, the slice of income above £1,500 is taxed at the rate of 20 shillings in the £. The same kind of thing happens at all the other points in the income scale where the rate of tax changes. Plainly, this is likely to be highly injurious to work and thrift and also intolerably unfair. *Some* remedy is imperatively needed.

At first sight it would seem that nothing could be simpler. Why not apply the supertax method to all incomes, taxing each £ of the first £100 so much, each £ of the second £100 so much and so on throughout? Or why not have a perfectly continuous scale under some mathematical formula, with separate rates for all possible quantities of income? This is the natural thing to suggest; and, since it gives complete freedom in the adjustment of rates, it is plainly, if it can be worked in practice, also the right thing. But here we come up against one of the limiting conditions of the problem. The supertax method, or any formula method, requires that the Administration shall know the *exact* total of a man's income before it can assess him. A great many incomes are made up of parts, some of which accrue in one place and some in another. Under the existing law, if we know that a man's total income lies clearly within the range of, say, £1,000 to £1,500, any bit of income that he gets outside his main business can be taxed straight off at the 4/6 or, if it is earned, the 3/9 rate. There is no need to know what he is receiving elsewhere. But under the supertax plan or a formula plan it would be impossible to assess these outlying incomes till the exact amount of the whole income was known. Moreover, if for any reason the assessment of any one part of a man's income had to be altered during

the year, if for instance, a house belonging to him became unoccupied, the appropriate adjustment for this could not be made without reference to the exact details of all the other parts of his income. The official witnesses and other experienced persons before the Royal Commission laid very great stress upon these difficulties. For the small number of incomes above the supertax level they can be, and have been, got over: but to get over them for all the millions of incomes that have to be assessed to income tax throughout the country, would, we were very definitely told, constitute a task beyond the powers of the Inland Revenue authorities. That being so, some other method of graduation, not open to these objections, had to be found.

It is easily seen that graduation of a kind is achieved under a single rate of nominal tax if an equal abatement is made from all incomes before the rate is applied. For example, if the nominal rate is 6/ and the abatement £150, the effective rate on an income of £200 is 1/6; on £300 3/ and on £2,000 about 5/7. Is it possible, by a simple scheme of abatement, to secure a graduated scale of tax substantially in accord with the present scale, but free from the jumps by which this scale is spoiled ? A few trials with figures will make it plain to anyone that with one rate and one abatement this is not possible. The effective rates in the upper part of the scale could not be made high enough without those in the lower part being made too high. But by using two rates and one abatement the Commission have found that it is possible. Their plan is as follows. First, as I have already indicated, each £ of earned income up to £2,000 is to be converted into $\frac{9}{10}$ of a £ of unearned income. Then an abatement (expressed in unearned income) is allowed to each man according to

his family status: £135 (equivalent to £150 earned income) for a bachelor, £225 (equivalent to £250 earned income) for a childless married couple, and so on. On the whole balance of income above the abatement, an income tax of 3/ in the £ is imposed. For all incomes that exceed the appropriate abatement *plus* £225, the balance above the said abatement *plus* £225 is subjected to a surtax of 3/ in the £. On incomes in excess of £2,000 there is imposed further taxation on the existing supertax plan. A study of the diagrams published by the Commission will show that these arrangements provide a smooth scale in accordance with the general trend of the existing scale. Of course by varying the abatements and the rates and the point of impact of the surtax, other graduated scales could be obtained. From the standpoint of equity the scheme proposed (and now adopted by the Chancellor of the Exchequer in his Budget) has great and obvious advantages over the existing scheme.

From the standpoint of administration it is simple and easily worked. Consider, for example, a married couple with three children, the whole of whose income is earned. If the income is known to be below £350, no tax at all is levied. If it is known to be between £350 and £600, an abatement of £350 is allowed, and all the rest of the income (multiplied, because it is earned, by $\frac{9}{10}$) is taxed, wherever it falls for assessment, at 3/. If the income is known to exceed £600, an abatement of £350 is allowed as before, the next £250 is taxed at the rate of 3/ (multiplied by $\frac{9}{10}$) and the whole of the remainder at 6/ (multiplied by $\frac{9}{10}$): or, to put the same thing in other words, an abatement of £475 is allowed, and the whole of the balance, wherever it accrues, is taxed at the rate of 6/ (multiplied by $\frac{9}{10}$). Thus, instead of having, like the present scheme, four critical points

below £2,000 at which the nominal rate changes, and in the neighborhood of which therefore there is special temptation to falsify returns, the proposed scheme has only one critical point. Simplicity and convenience of administration could hardly be carried further. It is true that, to make the scale work properly, it has been necessary to apply the supertax method of assessment to incomes between £2,000 and £2,500 as well as to those above £2,500; and this will mean extra work for the revenue authorities. But the work added there is almost certainly less than that saved on the main body of incomes. Every one has always known that income tax graduation could be made more satisfactory if we were prepared to pay a sufficient price in administrative difficulty. The Royal Commission has, I believe, devised a plan which makes graduation more satisfactory, and at the same time makes administration not more difficult but actually easier than it was before.

One other matter calls for notice in connection with this subject. A root principle of the English income tax is that collection should be made so far as possible at source. This means that, when a man has income from, say, shares in a company, the income is taxed in the hands of the company at the standard rate of 6/. If the man is not liable to an effective rate so high as 6/, he is entitled to have his actual payment adjusted to what that payment ought to be; if he is liable to more than 6/, he has to make a direct payment of supertax in addition to the tax that has been deducted at the source. In its main features this system works exceedingly well, and the Commission is strongly of opinion that it ought not to be changed. But a difficulty arises in connection with that part of a company's profits which is not distributed among the shareholders but is turned over as an addition to the capital of the company.

This money is, of course, money belonging to the shareholders, which they collectively choose to reinvest in their business. Properly speaking, therefore, such part of it as belongs to each individual shareholder ought to be taxed at the rate to which that shareholder is liable. But to do this would be administratively impossible. Consequently, the whole sum is, in fact, taxed at one rate, namely the standard rate of 6/. This arrangement involves some unfairness to those shareholders who are liable to less than the standard rate; tho it will be noticed that the number of people to whom this unfairness extends will be very much diminished when the Commission's plan of graduation is carried through. Whereas at present all shareholders liable to an effective rate of less than 6/, namely all those with (unearned) incomes below £2,000, pay too much, under the Commission's plan only those who have no income liable to surtax, namely bachelors with less than £360 (unearned) and family men (having three children) with incomes of less than £540 (unearned), will pay too much. There is, however, from the point of view of the Revenue, a more serious difficulty. Rich persons liable to supertax escape supertax on that part of the income belonging to them which goes, in the form of undistributed profits, into the capital of companies in which they have holdings. There is plainly no reason why the money they invest in this way should be treated more leniently than the money they invest in other ways. Moreover, there is evidence that deliberate use has been made of this loophole, by means of one-man companies and the like, to enable some rich men to escape practically their whole supertax liability on such part of their income as they do not wish to spend. It is extraordinarily difficult to devise a satisfactory means of dealing with this difficulty. The Commission do not

profess to have dealt with it completely. They recommend, however, that, "when the assessing authority is satisfied that the profits of a company, or a portion of them, are retained undistributed or are distributed as bonus shares for the purpose of avoiding or diminishing the liability of its shareholders to supertax, the income of those shareholders may be treated as if the profits, or a portion of them, had actually been distributed as an ordinary dividend."

In this brief account I have, of course, made no attempt to cover the whole ground of the Royal Commission's report. In particular I have said nothing about the problem of double income tax, when the same income is subject to the taxing officers of more than one country; nothing about the average system; nothing about the machinery of administration; nothing about the one matter (the taxation of coöperative societies) on which I, in company with others, took a different view from the majority of my colleagues. I have preferred to give a fairly full account of those parts of the report in which the majority of people are likely to be more interested rather than a scrappy summary of the whole. Whatever may be thought of the recommendations of the Commission, there can be no doubt that, in the report and in the volumes of evidence on which it is based, there is a mass of raw material for the student of income tax principles and methods. He may even, if he so chooses, discover in these records hints of devices by which he himself may evade payment to the Revenue of moneys that are properly due!

A. C. PIGOU.

CAMBRIDGE, ENGLAND.